

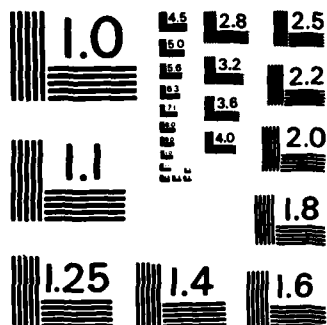
OVERVIEW OF THE MILITARY CONSTRUCTION ARMY (MCA) FUNDS
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OVERVIEW OF THE MILITARY CONSTRUCTION, ARMY (MCA) FUNDS PROCESS



Prepared by
Engineer Studies Center
US Army Corps of Engineers

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This paper provides an overview of the Military Construction, Army (MCA) funding process from initial user request for a facility to the project's financial close out. It highlights the role of the Headquarters, US Army Corps of Engineers (HQ USACE) and its field organizations--the divisions and districts. The paper specifically traces how and when MCA funds are requested from HQ USACE and the Department of the Army after the 35-percent concept design is completed by the Engineering Division. The		

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ABSTRACT

This paper provides an overview of the Military Construction, Army (MCA) funding process from initial user request for a facility to the project's financial close out. It highlights the role of the Headquarters, US Army Corps of Engineers (HQ USACE) and its field organizations--the divisions and districts. The paper specifically traces how and when MCA funds are requested from HQ USACE and the Department of the Army after the 35-percent concept design is completed by Engineering Division. The process and organizational elements through which the request is then routed for ultimate Congressional authorization and appropriation is described. The engineering phase concludes with the award of a construction contract. At this point, the project is transferred to the Construction Division, which is responsible for seeing that the facility is built. The various approval channels necessary during this phase to authorize funds for project modifications or changes are described and explained. MCA savings, funds expiration at the end of the appropriation lifetime, and financial close out of the project also are described.

OVERVIEW OF THE
MILITARY CONSTRUCTION, ARMY (MCA)
FUNDS PROCESS

1. Purpose. Managing Congressionally appropriated Military Construction, Army (MCA) project funds is a complex and often difficult process when all goes well. When construction change orders or project modifications require additional funds and the accompanying approval authority to obtain those funds, the "system" often seems to bog down in a morass of paperwork and time delays. This paper provides an insight into how the system works: the time frame for obtaining funds, how funds are controlled, and what tasks are involved from the perspectives of both the field and US Army Corps of Engineers Headquarters (HQ USACE).

2. Scope. This paper:

a. Gives an overview of the MCA funding process from the request for funds for a project to project close out or funds expiration.

b. Describes, in detail, how the USACE FOAs--districts and divisions--request additional MCA funds from HQ USACE and how the approval authority necessary to provide these funds is obtained by USACE from the Department of the Army (DA), the Office of the Secretary of Defense (OSD), or Congress.

c. Highlights the differences between the direct funding process used in CONUS and the indirect funding process used in the US Army Engineer Division, Europe (EUD).*

*Indirect contracting is the planning and execution of construction by the Federal Republic of Germany (FRG) authorities on behalf of the US. This may be done directly by the FRG authorities using their own resources or by a contract between the FRG Government and civilian construction, engineering, or architectural firms. The US does not directly negotiate with any contractors, but does oversee their work.

d. Does not address the procedures particular to production base support, Army family housing, or minor MCA funds.

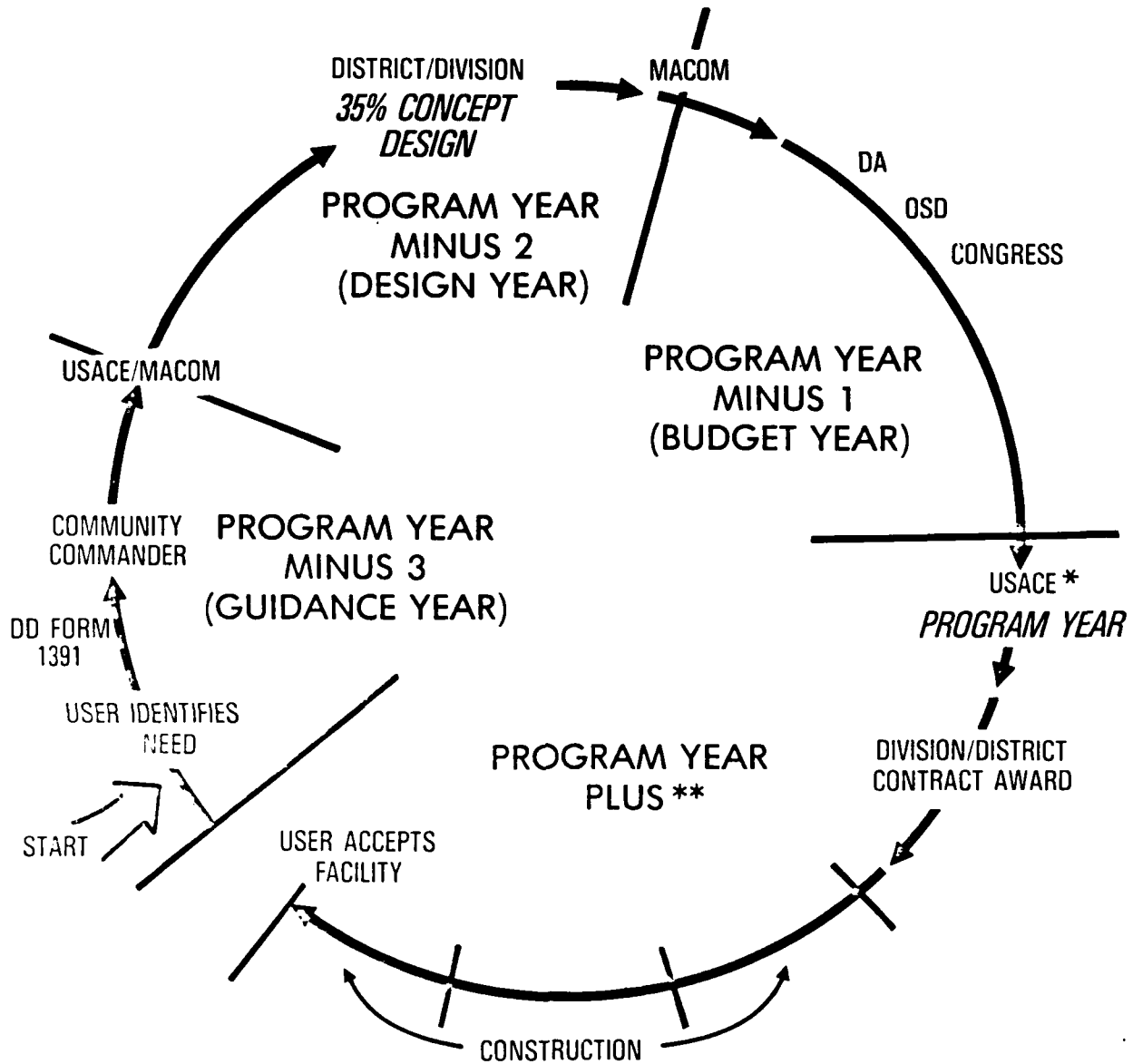
e. Simplifies and consolidates the funds control procedures given in established regulations.

3. MILCON Project Cycle. MILCON is the term used by Congress for military construction by all services. This paper concentrates on the Army portion only. Figure 1 shows the multi-year nature of the MCA program. Most projects take at least 3 years from the time a user identifies the need for the project until Congress authorizes and appropriates money for its construction.* After the design is completed and a contract has been awarded, construction may take an additional 2 to 5 years. Thus, at any given point in time, HQ USACE and the FOAs may be tracking up to eight separate program years for MCA projects in various stages of completion.

4. Definitions. Funding terminology is often confusing. Although the amount of MCA funds requested for a particular project may remain relatively constant, the name by which the amount is referred to changes, as shown in Figure 2. For example, the amount developed during the engineering design phase is the Design CWE; the same amount, when included in the MCA Program Request sent to Congress, is called the Program Amount (PA). Congress then authorizes the project and appropriates funds for construction; these funds are called the Authorized Amount and the Appropriated Amount. The Office of

*The term Congress is used to represent all legislative actions. The reader should be aware that four separate committees act on MCA funds requests: The House Armed Services Committee (for authorization), the House Appropriations Committee, the Senate Armed Services Committee (for authorization), and the Senate Appropriations Committee. If there is disagreement between the House and Senate Committees, a joint conference committee is required to resolve the differences before Congressional legislation is enacted.

MILCON PROJECT CYCLE



* START OF 5-YEAR CLOCK FOR APPROPRIATION

** NUMBER OF YEARS TO COMPLETE CONSTRUCTION

NOTE: TOTAL ELAPSED TIME FROM NEED IDENTIFICATION TO FACILITY COMPLETION IS 5-8 YEARS

Figure 1

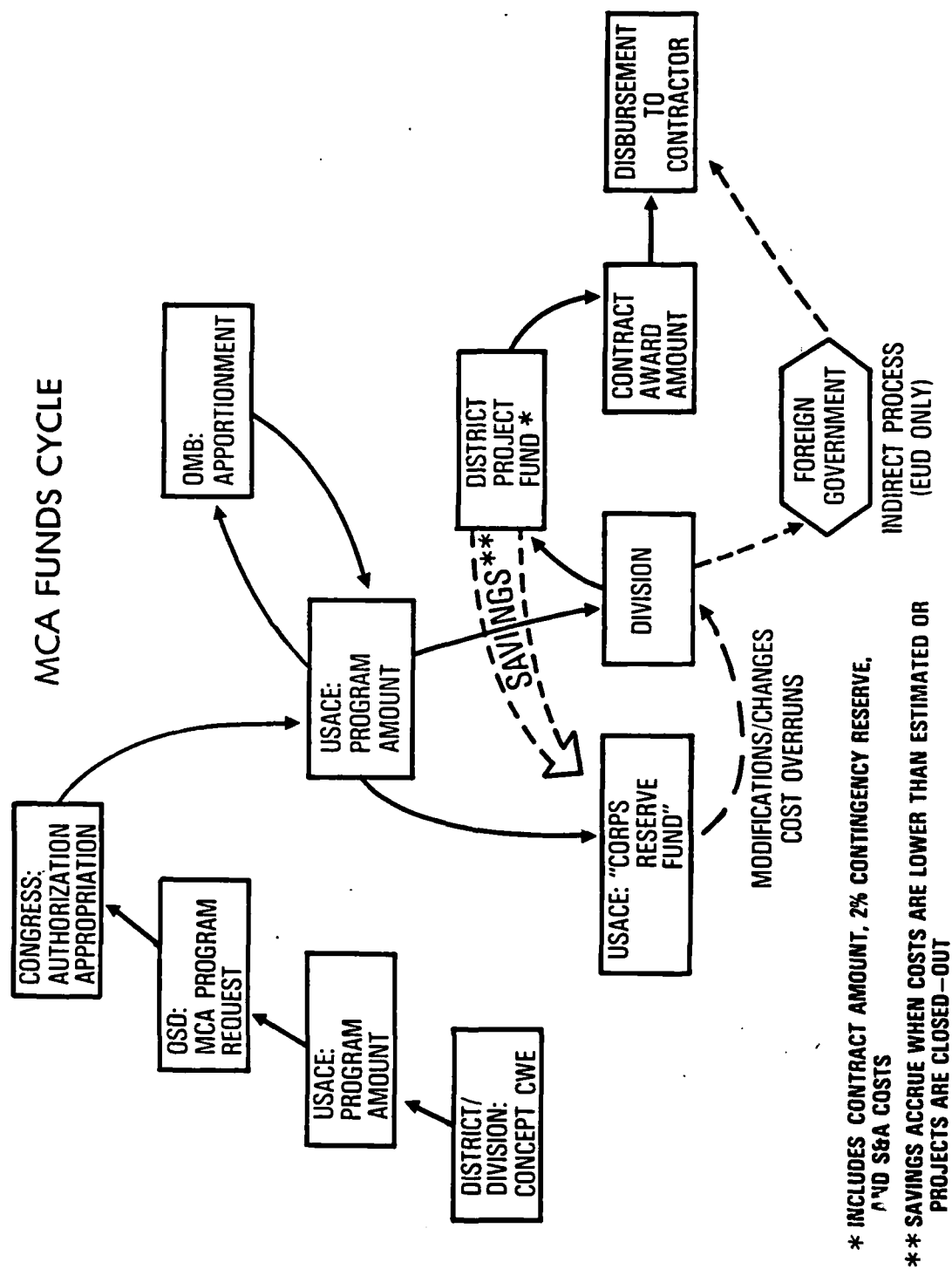


Figure 2

Management and Budget (OMB) releases the Appropriated Amount, renamed the Apportioned Amount, to HQ USACE for the actual construction. The MCA funding terms used in this paper are defined in Figure 3.

5. Funds Process Overview. All funds are tracked by fund type and program year in which Congress appropriates funds. Separate accounts are kept by fund types, program year, and project at FOAs and at HQ USACE. Money cannot be transferred or reprogrammed from one program year and used for a project funded during a different year without HQ USACE approval.

a. In most USACE FOAs, project funds are tracked in at least three organizational elements--the Engineering Division, the Construction Division, and the Resource Management Office (RMO). Each of these offices monitors the funds from a slightly different perspective and with a differing point of reference.

b. Figures 4 and 5 present a general overview of the steps involved in the process of funding and constructing a project from the perspectives of HQ USACE and the FOAs. Both Figure 4 (direct funding process) and Figure 5 (indirect funding process) start at the 35-percent concept design stage in the Engineering Division and progress through the various phases to project completion and financial close out in the Construction Division. The steps are portrayed sequentially and are arranged to show which approval authorities and organizational elements influence the funds process during each step. The overview is broad in nature and individual projects should be examined to see if they should be handled by "exceptions-to-the-rule" procedures. The following paragraphs explain in detail the essential funding relationships.

6. Engineering Division. The top portion of Figures 4 and 5 shows the steps which occur while the project is the responsibility of the Engineering Division. A project is initially undertaken and its advance planning

MCA FUNDING TERMS

Term	Definition
Actual Basis Contract (EUD Only)	A construction contract between EUD and the FRG based on the actual bids received to perform the work. HQ USACE transfers money for the FOA project fund based on the amount of the contract awarded (see Estimated Basis Contract).
Apportioned Amount	Funds released by OMB to HQ USACE to pay for Congressionally approved and directed construction.
Appropriated Amount	Congressional dollar amount to be funded by OMB.
Authorized Amount	Congressionally approved dollar amount; funds may or may not be appropriated for construction.
Close Out	Financial completion and reconciliation of project records.
Concept Design CWE	Total estimated cost to construct the project, which is generated in Engineering Division at the 35-percent design stage and equates to the full scope to be justified to the Congress.
Construction Contract Amount	Amount payable to a contractor for agreed on services for the construction of a facility or project. For overseas construction of US requirements, the contract amount is generally payable in the currency of the country where the construction is located.
Contingency Reserve	An amount included in the Program Amount submitted to Congress to cover unforeseen increases to current contracts; usually equal to 5 percent of the direct project costs.

Figure 3 (Continued on Next Page)

MCA FUNDING TERMS--Continued

Term	Definition
Contract Award	Granting of a contract to a construction firm for agreed upon services.
Corps Reserve Fund	HQ USACE fund consisting of Congressional contingency reserve and savings generated from construction projects.
CWE	Current Working Estimate; i.e., the latest available cost estimate to construct a particular project. It includes an allowance for contingency reserve, communications, S&A, and EDC.
EDC	Engineering and Design during Construction; this work is funded by MCA construction funds rather than from the Planning and Design Fund.
Estimated Basis Contract (EUD Only)	A construction contract between EUD and the FRG based on an estimate of what the work to be performed will cost. The contract is signed prior to advertising and receiving bids. HQ USACE transfers money in advance of bid solicitation, usually 85 percent of project appropriation (see Actual Basis Contract).
Expiration	Congressionally imposed deadline for construction and termination of appropriation.
Final Design CWE	Engineering Division's detailed cost breakdown of labor and material costs to construct a project; based on the completed design of the project.
Fund Type	Authorized type of funds used for construction of a project (e.g., family housing, production base support).

Figure 3 (Continued on Next Page)

MCA FUNDING TERMS--Continued

Term	Definition
Operability Change	Unavoidable changes required to construct a complete and operable facility (e.g., changes caused by different site conditions).
Planning and Design (P&D) Fund	Money appropriated by Congress to HQ USACE for design of projects to include advertising costs prior to contract award for construction.
Program Amount (PA)	Amount required for project construction that is submitted by HQ USACE to OSD for inclusion in the MCA Program Request sent to Congress.
Project CWE	Construction Division's latest estimate of funds expended and required to complete the project (see CWE).
Project Fund	For direct contract projects, this is the amount sent by HQ USACE to the districts or operating division after contract low bid determination; includes the contract amount, 2 percent of the contract amount for the contingency reserve, S&A costs, and EDC. For indirect contract projects, the Project Fund is 85 percent of the Appropriated Amount; it is sent by HQ USACE to EUD before the project's contract is bid. After the contract is awarded, the Project Fund is adjusted to include the contract amount, 2 percent of the contract amount for the contingency reserve, S&A costs, and EDC.
S&A	Supervision and Administration costs; i.e., the total cost of project overhead and of supervising, inspecting, and administering a project.

Figure 3 (Continued on Next Page)

MCA FUNDING TERMS--Continued

Term	Definition
S&A--Continued	S&A is a flat rate of 5.5 percent of the construction contract amount.
Savings	Money realized from completed projects that were less than the PA.
User Change	A change of an elective or enhancement nature.

Figure 3

MCA PROJECT FUNDING -- DIRECT PROCESS

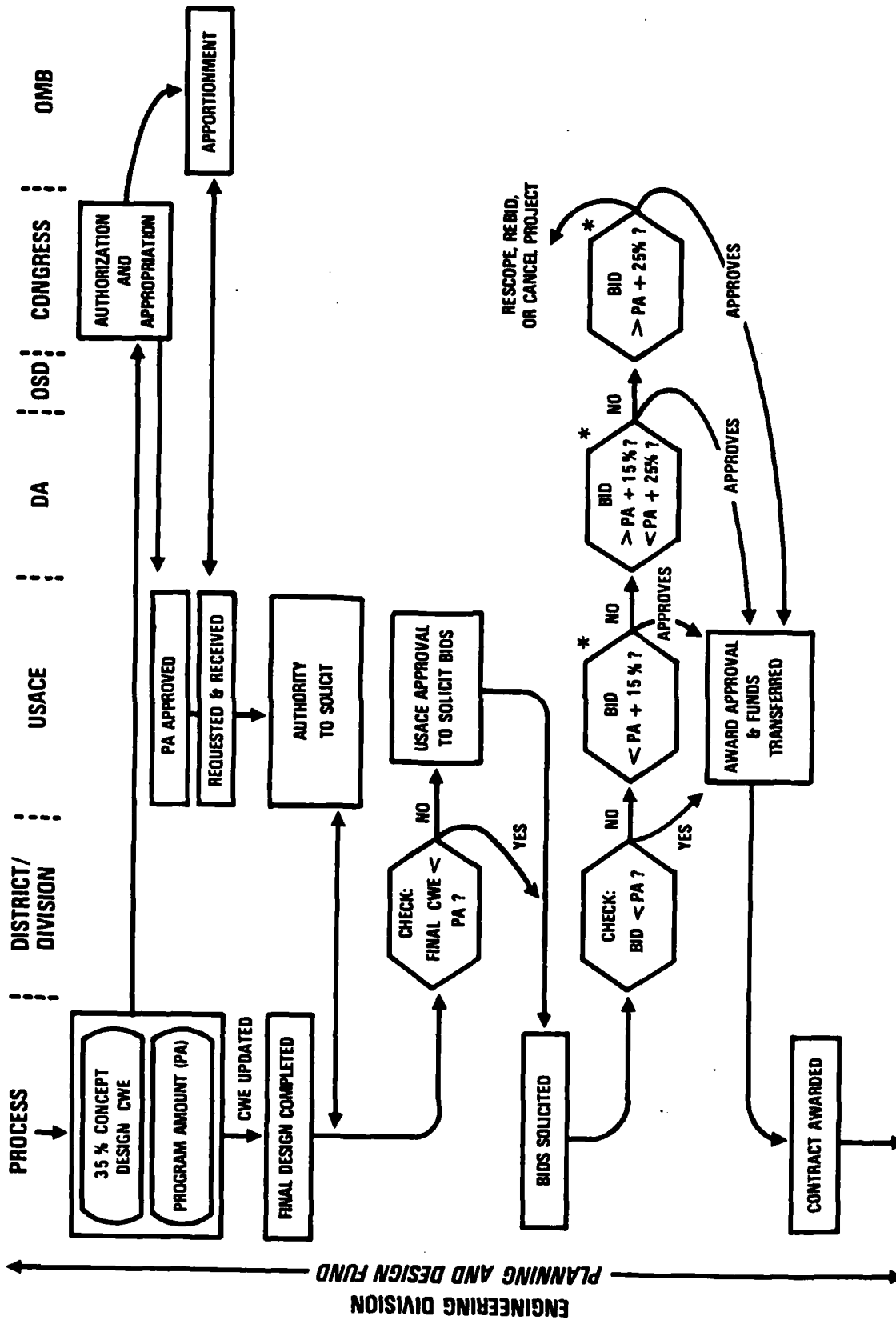
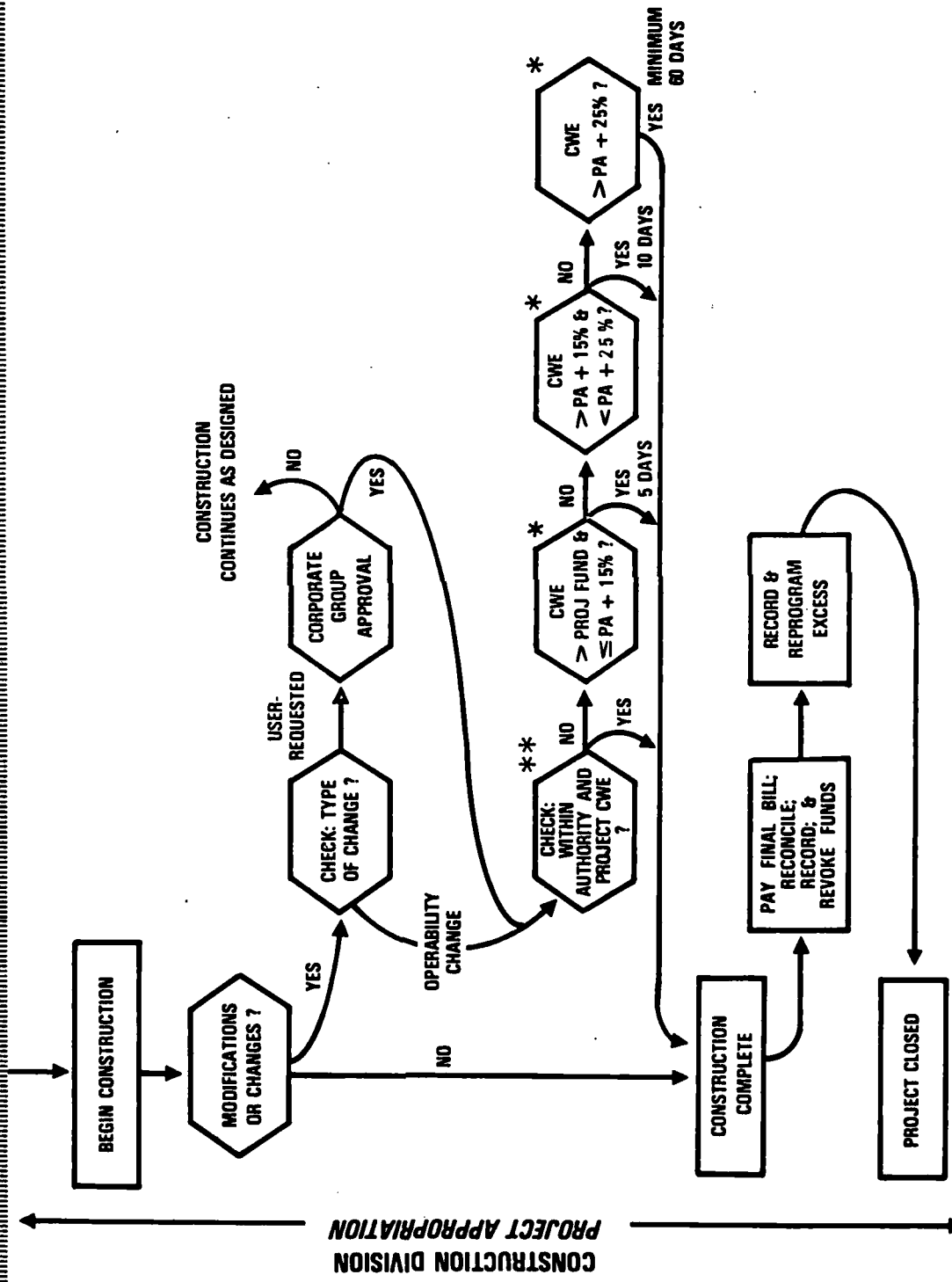


Figure 4 (Continued on Next Page)

MCA PROJECT FUNDING -- DIRECT PROCESS (CONTINUED)

PROCESS : : : DISTRICT/ DIVISION : : : USACE : : : DA : : : OSD : : : CONGRESS : : : OMB



* THERE ARE DOLLAR RESTRICTIONS AS WELL AS PERCENTAGE RESTRICTIONS (SEE PARAS 6.1. AND 7.1.)

** PROJECT CWE IS THE CUMULATIVE COST ESTIMATE TO INCLUDE ALL PRIOR MODIFICATIONS AND THE PROPOSED CHANGE

Figure 4

MCA PROJECT FUNDING -- INDIRECT PROCESS

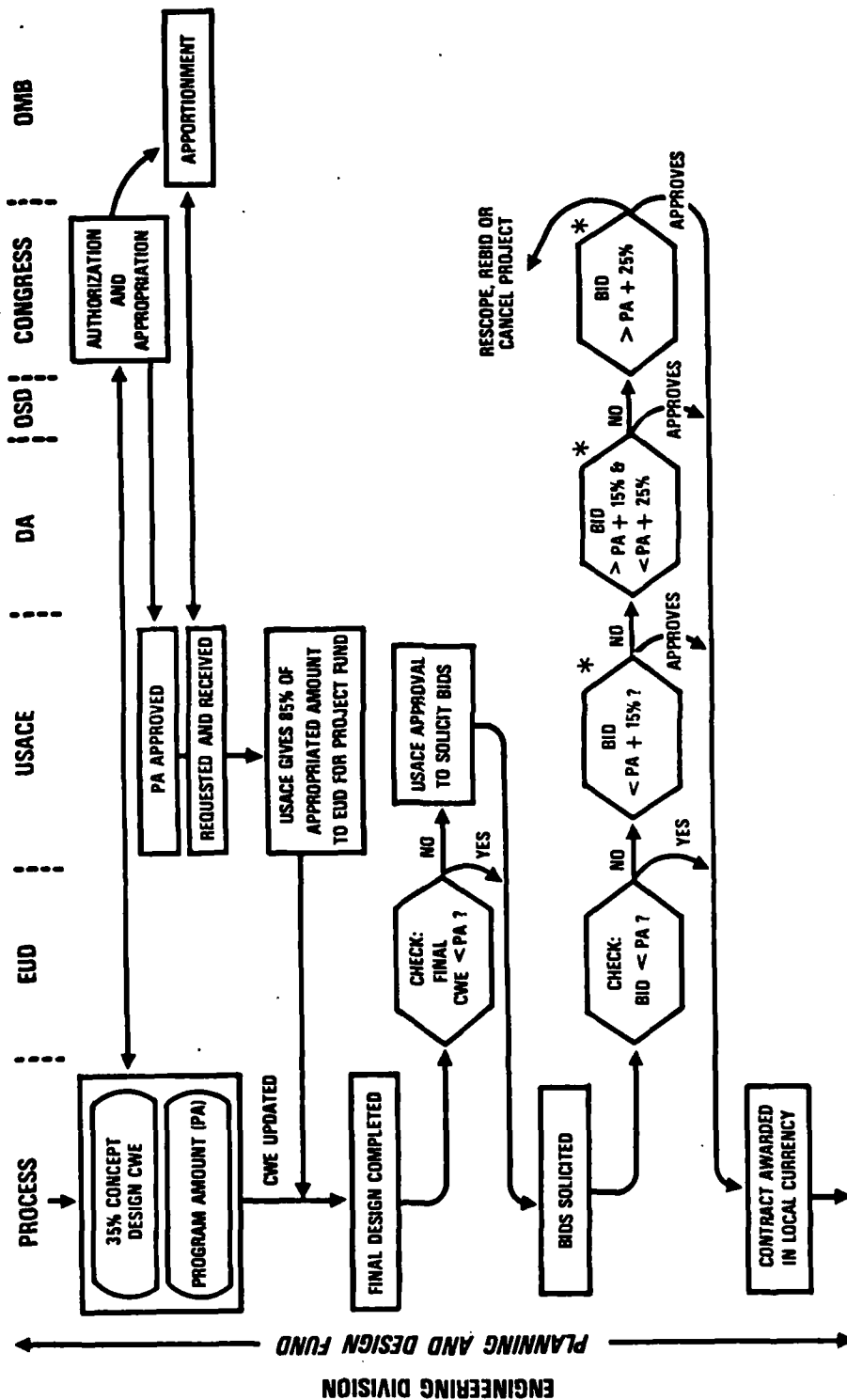


Figure 5 (Continued on Next Page)

MCA PROJECT FUNDING — INDIRECT PROCESS (CONTINUED)

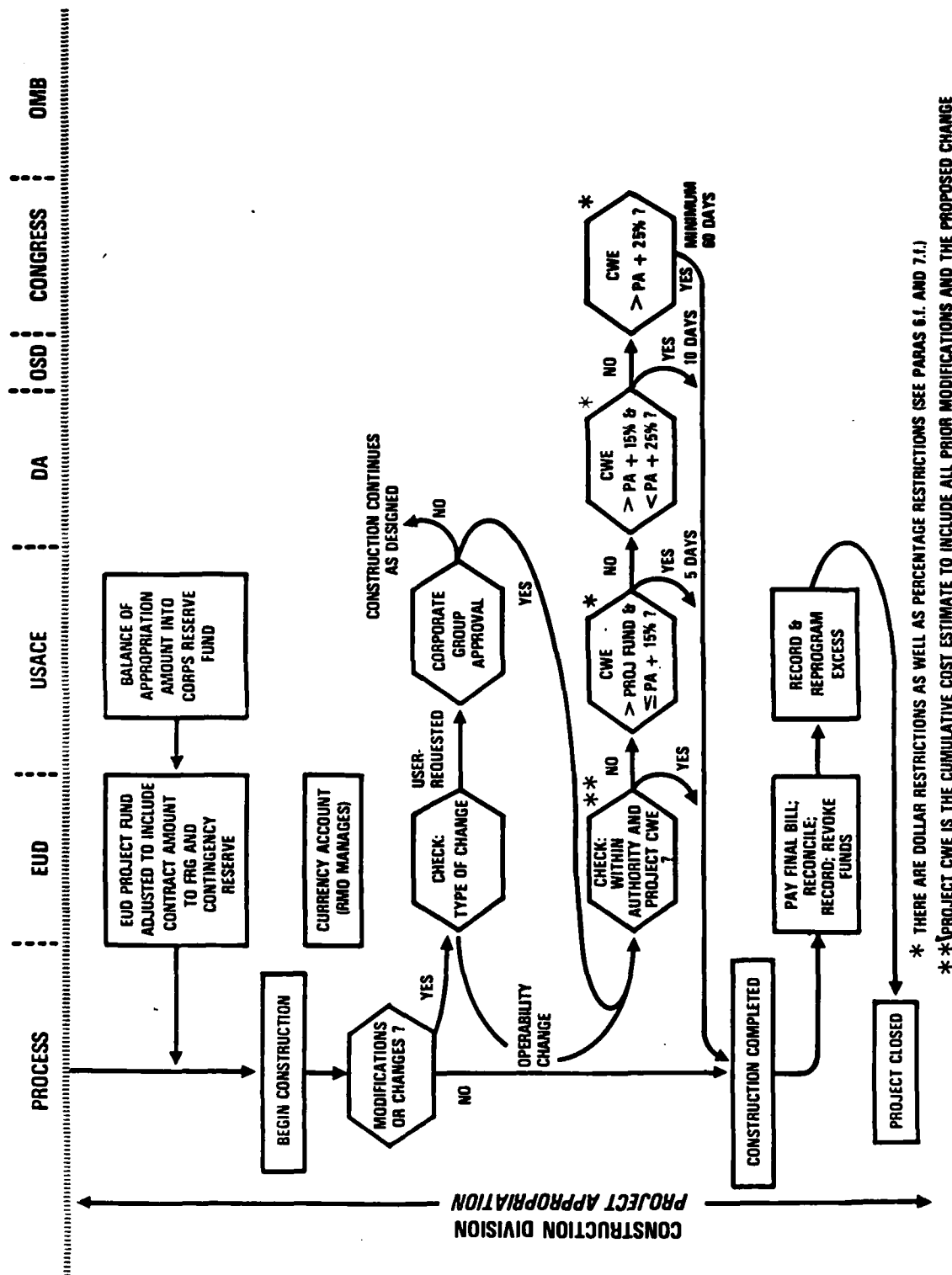


Figure 5

completed before HQ USACE authorizes the concept design.* After HQ USACE design authority is released to the FOA, all design work--whether done in-house or on an architect/engineer (AE) contract--is funded by HQ USACE with money from the Planning and Design (P&D) Fund established by Congress. The P&D Fund is a lump sum appropriated by Congress and given to HQ USACE expressly for the planning and design of all projects. HQ USACE controls and allocates money from this fund to projects in accordance with DA-directed design releases and FOA requests. The P&D Fund covers all phases of design work, from the initial HQ USACE design authorization through the 35-percent concept design to 100-percent design completion. It also includes all costs associated with advertising, soliciting, accepting, and awarding the construction contract for a project.

a. Congress has mandated that a project be at least 35-percent design complete before it is included in an MCA Program Request. The Program Request is submitted annually to Congress for project authorization and appropriation (see Figure 1). The 35-percent design package contains a CWE based on the user-approved concept design which is an estimate of the total cost to construct the project. The importance of the Concept Design CWE at this stage needs to be emphasized, because it is the basis for the Congressional authorization and appropriation (i.e., the PA of the project).

b. The Concept Design CWE includes a calculation of all costs that are expected to be incurred before the project is completed: direct construction costs, S&A costs, any EDC, government-furnished equipment,

*Advance planning consists of developing the project requirement, alternative site studies, developing and documenting the project (i.e., DD Form 1391), and preparing environmental impact assessments. Advance planning is normally Operations and Maintenance, Army (OMA) funded since, by law, MILCON design funds cannot be used for this purpose.

temporary duty (TDY) costs and equipment depreciation if troops are used, and a 5-percent contingency reserve to be used for unavoidable design changes, design errors, or construction problems.

c. Once Congress has authorized and funded (appropriated) the annual construction program, HQ USACE submits apportionment requests to OMB for review and approval. The requests are made up on a quarterly basis from forecast construction award dates submitted by FOAs. Once approved, OMB apportions or transfers funds on a project basis to HQ USACE. Ideally, all contracts would be awarded in the same year that Congress appropriates the construction funds. In practice, 1 to 2 years may elapse between the Congressional appropriation and the actual contract award.

d. For indirect construction projects in EUD which are executed under an estimated basis contract, HQ USACE transfers 85 percent of the appropriated amount to EUD for the project fund upon EUD request. For CONUS or direct construction, HQ USACE keeps the project fund until after the bids for the project have been opened and the apparent low bidder has been determined.

e. Before advertising for construction bids, the FOA notifies HQ USACE of final design completion, requests authority to advertise, and verifies the PA. Upon receipt of that authority, bid documents are then prepared and completed. Before bids are solicited for the project, the FOA compares the Final Design CWE with the PA to verify if enough funds are available to physically construct the project.

(1) If the Final Design CWE is within the PA, the FOA then advertises and solicits bids for the project.

(2) If the Final Design CWE for the project exceeds the PA, an explanation of the cost overrun and recommendations regarding the contract

award are sent by the FOA to HQ USACE. An authorization from HQ USACE must be obtained before the FOA can solicit bids.

f. If the contract bids for construction exceed the project's PA, the excess cost must be approved before a contract can be awarded (see Figures 4 and 5). HQ USACE can approve amounts up to 15 percent or \$1 million, whichever is less, over the Congressionally appropriated amount; DA can approve up to 25 percent or \$2 million, whichever is less, over the appropriation. Projects that exceed 25 percent or \$2 million require Congressional approval prior to award. During the approval process, Congress may direct redesign of the project to reduce scope, resolicitation of bids, or cancellation. Cost overruns approved by HQ USACE and DA must be funded from savings realized during the construction phase of other projects; those monies are kept and retrieved from a HQ USACE account called the Corps Reserve Fund (also see paragraph 7.b.). Cost overruns for projects that require and receive Congressional approval also must be funded from savings because Congress never increases an appropriation.

g. Once a construction contract has been awarded, the Engineering Division moves to a supporting role and the project execution then becomes the responsibility of the Construction Division.

7. Construction Division. The Construction Division oversees contracts to ensure that the costs of completing a facility or project remain within the amount authorized by HQ USACE. It also is responsible for ensuring that construction is completed within the time limits established by Congress; i.e., before the appropriation expires. The bottom portion of Figures 4 and 5 shows the steps which occur while the project is the responsibility of the Construction Division.

a. Project Fund. After the lowest construction bid for a project has been determined, HQ USACE forwards to the FOA a part of the appropriation to establish a project fund. The amount forwarded is usually the amount of the construction contract plus 8 percent--2 percent contingency reserve, 5.5 percent S&A, and 0.5 percent for EDC. (Although the project fund for indirect construction contracts in EUD is established during the design phase, the project fund is adjusted after the contract award by using these same percentage rates as the actual basis contracts. Depending on the amount of the contract award, EUD may request or return funds to HQ USACE.)

(1) Because Congressional budget requests were submitted when project design was only 35-percent complete, a contingency reserve is included in the project fund specifically to cover those unforeseen and unanticipated problems which usually arise during the construction phase.

(2) The contingency reserve is project-dependent and cannot be used for any project other than the one for which it has been established.

(3) The contingency reserve does not take into consideration currency fluctuations which affect the construction process overseas. A separate account is established for this purpose (see paragraph 10).

b. Corps Reserve Fund. If the dollar amount in the FOAs project fund is less than the appropriated amount, HQ USACE keeps the difference in a Corps Reserve Fund. That excess is identified by the program year in which the project was Congressionally appropriated; usually, it is an amount equal to the remaining 3 percent of the 5-percent contingency reserve authorized by Congress.

(1) At this stage, HQ USACE no longer specifically identifies individual appropriation balances by project. All modifications, changes, or

cost overruns are subsidized by the Corps Reserve Fund, not the balance of the particular project appropriation. In this way, cost overruns from one project are funded by savings realized from other projects. Records of actual costs obligated and expended are maintained by project. This ensures that project costs remain within the PA, and makes it easier to verify that proper approval channels are followed when additional funding is requested for a project.

(2) The Corps Reserve Fund contains, by program year, all excess appropriation funds and savings revoked or turned in by FOAs during construction or after the project is closed financially. With Congressional approval, these savings can be used for emergency construction or to repair damaged facilities. Under certain circumstances, the money in the Corps Reserve Fund also can be used to fund those projects Congress authorized to be funded from savings.

c. Modification types. Modifications or changes made during construction are evaluated to determine if the change is an operability change or an elective, user-requested change (see Figures 4 and 5).

(1) Operability changes are changes during construction that must be made to ensure that a complete and usable facility is built. They usually are incorporated.

(2) User-originated changes must be formally submitted through the MACOM to the USACE division for evaluation and approval. User-requested changes must be approved by a Corporate Group before being incorporated during construction.* The changes are evaluated from the standpoint of schedule, cost, and policy; the ability of HQ USACE to fund them; the justification or

*The Corporate Group is a three-party decision-making body comprised of one member each from HQ USACE (Engineering and Construction Directorate), the responsible MACOM, and the involved USACE division.

reason for the changes; and the impact they will have on the overall scope of the project. User-requested changes can, and often are, turned down if they do not best serve the interest of the Army. The funding process for approved user-requested changes is the same as for operability changes. (Most user-requested changes are directly charged to cost and time growth--a number closely monitored by HQ USACE and Congress.)

d. Funding the modifications. The FOA's contingency reserve for the project is used to fund modifications and changes that are within the limit of the Project CWE and the FOA's approval authority. If a modification or change exceeds the amount available in the project's contingency reserve or is outside the delegated approval authority, HQ USACE must approve the modification and provide additional funds.

e. Fund requests within PA.

(1) The FOA asks HQ USACE to approve and release additional money from the Corps Reserve Fund. Requests are electronically transmitted to HQ USACE, Engineering and Construction Directorate (DAEN-ECC-A) and forwarded to the appropriate organizational element (i.e., geographical section) for action.*

(a) The cost of the modification is added to the latest Project CWE to determine whether the total cost is within the PA. Thus, modifications and changes are cumulative in nature and total project cost determines the status with respect to the PA--not the cost of the individual modifications or changes.

*The four geographic sections are: Europe, Eastern US, Western US, and the North Pacific with the Far East.

(b) Frequently FOA fund requests contain an imposed deadline of 2 or 3 days; i.e., the request must be approved by HQ USACE within the stated time or the project will be stopped for lack of funds. Often these deadlines are imposed because a problem surfaced suddenly at the construction site or because the problem was not identified and reported before a crisis developed. HQ USACE must follow a structured approval process before funds can be released. All requests are checked, verified for reason, type of change, and justification before approval. This will normally involve several contacts with the FOA for explanations or clarification of the requested change. Changes are also coordinated with the Engineering Division, HQ USACE to ensure they are technically correct and meet the project's scope. For these reasons, FOAs must allow ample time for HQ USACE response and must take prudent steps to minimize instances where short turnaround times are required.

(2) Upon approval of the modification, HQ USACE authorizes funds and transmits the amount of the modification plus an amount for the contingency reserve so that the project's contingency reserve equals 2 percent of the remaining construction placement. Thus, the project's contingency reserve is never allowed to sink down to zero but it is never totally replenished to its original level.

(3) When fund requests are within the PA, HQ USACE usually can provide the funds quickly--assuming the change was justified. Fund requests for modifications that exceed the PA, require additional processing.

f. Fund requests exceeding the PA.

(1) When a proposed modification or change, added to the Project CWE, exceeds the PA, not only must the aforementioned procedure be followed, but additional documentation and approval for the change is required before

proceeding. The organization which approves the change is determined by comparing the PA with the Project CWE, to include the cost of the proposed change. Thus, the total cost and the amount over the PA are the factors that determine which organization (i.e., USACE, DA, or Congress) grants approval for the change.

(2) The Chief of the Army Branch, Engineering and Construction Directorate, HQ USACE, can authorize funds up to 15 percent over the PA or \$1 million, whichever is less. The average time needed to process this type of change at USACE is 1 week (5 working days). (About 85 to 90 percent of all change requests are in this category.)

(3) Fund requests that exceed HQ USACE authority must be approved by the Office of the Assistant Secretary of the Army (Installations and Logistics) (OASA(I&L)). Requests in this category are those in which the total Project CWE exceeds 15 percent but is less than 25 percent over than the PA, or under \$2 million, whichever is less. These requests are prepared and documented in detail by HQ USACE. It is estimated that an additional week is required for OASA(I&L) approval. (About 5 percent of all requests for additional funds are in this category.)

(4) When the total Project CWE exceeds the PA by 25 percent or \$2 million, Congressional approval is required. This approval usually takes a minimum of 60 days.

(a) HQ USACE must prepare documentation for all requests that are being sent to Congress for approval. The documentation must explain the entire project history--reasons for all previous actions, changes, and modifications made to the project from the time the project's funds were originally appropriated by Congress. The documented requests then are routed

through OASA(I&L) to OSD. Since Congressional committees seldom consider individual request actions, OSD collects requests from all the military services and periodically sends them in groups to the Congressional committees that must review them. Generally, all four Congressional committees that initially approved the project receive copies of the request for review and approval.

(b) The Authorizations Committees work on a "consent by silence" basis. That is, if neither committee objects to the action, in writing, within the 21-day notification period, the action is considered approved. Written approval must be received from the Appropriations Committees before any money can be obligated and the project continued. At any time during the 21-day notification period, any committee can request a hearing to obtain additional information. If a hearing is requested, the 21-day notification period may be extended until the hearing is held and a decision is rendered. It should be noted that all four Congressional Committees must approve the action (even if by silence), before the cost overrun is approved and additional funds can be transferred to the FOA by HQ USACE.

(c) If Congress is not in session, request actions are held by OSD until Congress reconvenes. When this occurs, the time required for obtaining Congressional approval may extend beyond the minimum-required 60 days.

8. Savings. Each year HQ USACE is required to submit an estimate of on-hand and anticipated savings from MCA projects. Based on that estimate, Congress may authorize projects, but may not appropriate funds for them. The savings reported by HQ USACE are used to construct those projects that did not

have funds appropriated. Congress may issue a general appropriation reduction equivalent to the amount of the reported savings, or identify, by project, those that are to be funded only from savings. During Fiscal Year (FY) 1985, savings funded more than \$210 million worth of projects. This was an increase of approximately \$20 million over the savings recorded in FY 1984.

a. The FOAs must return excess money to HQ USACE before it can be counted as savings and used for other projects. Only Congress can reprogram funds for unfunded projects in the current or next fiscal year's program.

b. Savings are recorded by the program year of the project appropriation. Savings are used to pay for cost overruns generated by modifications or changes or to totally or partially fund projects in the recorded year or in later program years.

c. Unless savings are obligated, they expire at the end of the appropriation lifetime of the project from which they were obtained (i.e., at the end of 5 years). Thus, some new projects may be funded with a combination of about-to-expire savings and new appropriations.

9. Expired Funds. Congress has mandated a 5-year project completion limit--5 years including the appropriation year, not 5 years from the contract award date. As a result, project funds appropriated by Congress expire at the end of 5 years. The authority to obligate 1980 money expired 30 September 1984; all 1981 program funds that are not obligated will expire on 30 September 1985. USACE lost approximately \$36 million in expired funds at the end of FY 84 and anticipates losing another \$15 million when FY 85 ends, unless the money is obligated to a project.

a. Obligated funds. Appropriated or apportioned funds are not obligated money. Obligated money is reserved for the payment of agreed upon,

legally binding services or purchases, such as a construction contract. Obligated money does not expire; however, it can only be used for payment of the designated contract. The Corps Reserve Fund, the FOAs' project contingency reserves, and S&A funds are not considered to be obligated funds with respect to the 5-year limit on appropriations. Therefore, this money can be lost when the program year appropriation expires.

b. Expired funds. "Old money" drawn from expired appropriations can only be used or obligated for adjustments on existing contracts within the project scope initially authorized by Congress and the contractual scope. Thus, if some feature is to be added to the Congressionally approved concept scope, it cannot be added after funds have expired; a new project must be originated to correct the deficiency. While "old" obligated money can be spent to complete construction, the S&A costs of administering and finalizing a project may not be charged to the expired program year funds. Funds realized as savings ("new" money) in a later program year must be used. In general, there are several ways that funds may expire:

(1) Funds expire if the final billing amount for work performed is less than the amount of obligated funds. If disbursement is made after the project funds have expired, the difference between the obligated funds and the amount billed is lost to USACE. For example, assume that an FOA obligates \$10,000 for a particular contract and the actual bill is \$9,000. If the bill arrives and is paid after the program year money expired, USACE "loses" \$1,000 that could have been realized as savings.

(2) Funds expire when FOAs hold onto the money remaining in their contingency accounts until after the appropriation deadline passes. The organizations do this perhaps to cover warranty actions or simply as a "cushion."

(3) Funds expire if savings are not projected, identified, and revoked by the FOA in time for HQ USACE to designate and obligate those savings to another project.

(4) Funds expire if unobligated money in an account which is approaching the deadline for program year expiration is not "exchanged." For example, the S&A funds used to administer a project whose appropriation is due to expire could be revoked or exchanged for "new" funds from HQ USACE to continue project management.

10. Currency Account. The Currency Account is established in EUD by RMO for projects whose contracts are paid out in local foreign currency (e.g., the Deutschemark in the FRG and the Lira in Turkey). At the 35-percent design stage, project costs are estimated and funds requested for a specific dollar amount in a program year. However, the contract may be awarded a year or two after the initial cost estimate is made and funds are appropriated. During that time, the value of the dollar may have changed to reflect changes in local economic conditions. In addition, the exchange rate may fluctuate during the course of the contract's life. When the value of the dollar is high relative to the local currency, savings can accrue. These savings are recorded in the Currency Account. But when the dollar value is low, as it was in 1979, some projects may have to be cancelled due to a lack of funds. Savings in the Currency Account are unobligated money because they are realized from inflation and currency fluctuations. These savings are periodically turned over to HQ USACE and used for cost overruns of other projects.

11. Financial Close Out. Once construction is completed, the project must be financially reconciled and closed out. Financially closing a project

within the 5-year Congressional time frame seems to be more of a problem than completing the physical construction. This is particularly true for large, complex construction projects such as hospitals, energy-related projects, and communications projects.

a. Several steps are involved in the close-out process: the most important is receiving a final bill. Field personnel cite not receiving a final bill for payment as the single, most frequent cause of delay in project close out--particularly when the project involves another government agency or service. For example, a facility which has had communications equipment installed by Fort Ritchie cannot be closed out until Fort Ritchie submits its final bills for those installation services.

b. When final bills are received, payments are disbursed and accounts closed. Final accounts include not only the contractor but S&A, EDC, government-furnished equipment from the General Services Administration, and as-built drawings. Project accounts in the FOA's Construction Division and RMO are then reconciled and balanced.

c. Any remaining FOA project funds are returned to HQ USACE, Directorate of Engineering and Construction, Army Branch (DAEN-ECC-A) by way of a revoking directive. After receiving the directive, HQ USACE records the project as being closed and uses the savings for other requirements. If there are no funds to return, HQ USACE must still be notified so it can close its records.

12. Conclusions.

a. Time is an important factor in the MCA process.

(1) It usually takes about 3 years to obtain funds to construct a project.

(2) Congress has mandated a 5-year appropriation limit for construction completion.

(3) Some project modifications and changes require a minimum of 2 to 3 months before the additional funds can be approved and obtained.

b. Both the Engineering and Construction Divisions play important roles in the management and efficient use of MCA funds. The steps that each division performs are critical to meeting the Congressional deadlines for project completion and funds expiration.

(1) The Engineering Division's key responsibilities during the programming and design phases of the MCA cycle are:

(a) Ensuring an accurate submittal of the 35-percent Concept Design CWE, recognizing that it is the basis for Congressional appropriation and thus all future actions.

(b) Timely completion of project designs and advertising of projects.

(c) Coordinating with Construction Division to ensure an operable facility.

(d) Advertising and soliciting bids for the project.

(e) Awarding the contract promptly.

(2) The Construction Division's key responsibilities during the MCA cycle are:

(a) Coordinating with the Engineering Division to ensure that the construction contract is awarded promptly and is processed without any unreasonable delay.

(b) Monitoring construction to ensure completion within the time limits of the project appropriation.

(c) Reviewing modifications or changes to make certain that the project's cost remains within Congressional appropriation limits.

(d) Identifying and requesting funds for changes that require USACE, DA, or Congressional approval early to avoid crisis situations.

(e) Ensuring that the project is financially closed out in a timely manner.

c. Keeping track of funds is an important responsibility of project managers. A thorough understanding of the MCA cycle and funding process is needed to discharge that responsibility well. Knowing what must be done throughout the cycle, and why, promotes a better understanding of the tasks involved in the funds control process.

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